

Chapter 9 Tourism

Key Points

- During the 1990s, the Territory's tourism sector expanded considerably, driven by solid growth in international visitor numbers, which increased at an average rate of around 10 per cent per annum.
- The Northern Territory Tourist Commission (NTTC) estimates that total expenditure by tourists to the Territory increased by 5.2 per cent to \$1 080 million in 2002-03, of which international visitors accounted for 33 per cent, spending an average of \$174 per day each, up from \$148 per day in 2001-02.
- Over the past few years, however, international discretionary travel has declined due to weak global economic conditions exacerbated by the threat and reality of terrorist attacks, geopolitical uncertainty and the Severe Acute Respiratory Syndrome (SARS) outbreak.
- After three years of negative growth, total visitor numbers are estimated to have increased by around 3 per cent (to 1.75 million) in 2003-04 with growth of 9.0 per cent (to 1.91 million) expected in 2004-05. International visitor numbers are expected to rebound by 4.4 per cent (to around 500 000) in 2003-04 and by about 23 per cent (to around 600 000) in 2004-05.
- The appreciation of the Australian dollar is a major risk to the outlook, as it will act to constrain the strength of the anticipated upswing in international visitors while increasing the likelihood of Australians travelling abroad.

The tourism sector plays a significant role in the Territory economy, contributing more to Gross State Product than in any other jurisdiction, while its proportion of employment is also higher than nationally. The Territory's unique flora, fauna and geographical features, as well as Aboriginal art and culture, are key attractions for visitors. Cruise and defence force ship visits also make a significant contribution to the Territory's tourism sector.

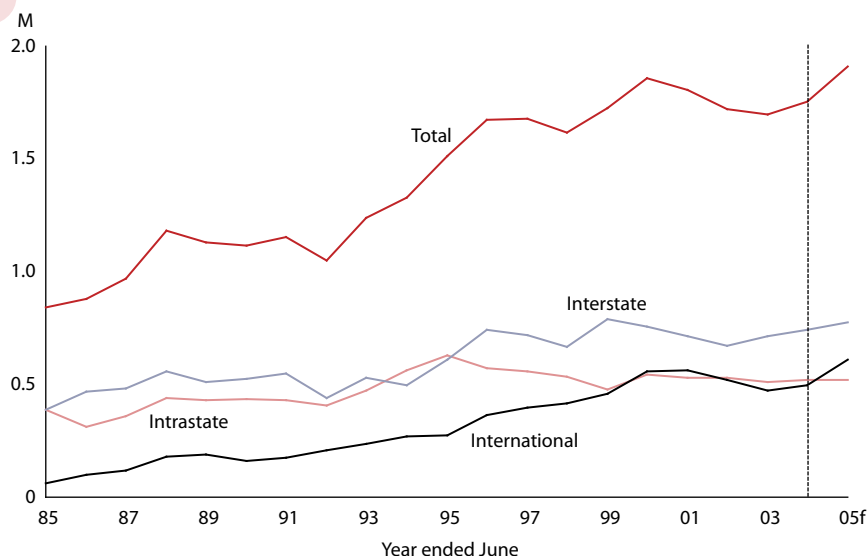
Over the past decade, growth in the tourism sector has been driven by international visitor numbers. During the 1990s, overseas visitor numbers to the Territory increased at an average rate of around 10 per cent per annum. In the past few years, international discretionary travel has declined considerably due to weak global economic conditions exacerbated by the threat and reality of terrorist attacks, geopolitical uncertainty and, more recently, the Severe Acute Respiratory Syndrome (SARS) outbreak.

While international visitor numbers to the Territory have declined in recent years, their spending still represents close to 33 per cent of total tourism expenditure in the Territory.

After three years of negative growth, total visitor numbers are estimated to increase by around 3 per cent (to 1.75 million) in 2003-04 with growth of 9 per cent (to 1.91 million) expected in 2004-05. Critical to the strength of the rebound in visitor numbers will be growth in international visitors. Growth in this segment is estimated at 4.4 per cent in 2003-04, followed by 23 per cent in 2004-05. The positive short term outlook is based on improving global economic conditions, particularly in the Territory's major source market regions, and an easing of health and safety concerns.

2004-05

Chart 9.1: Visitor Numbers, Northern Territory



e: estimate; f: forecast
Source: NT Treasury, NTTC

The appreciation of the Australian dollar is a major risk to the outlook, as it will act to constrain the strength of the anticipated upswing in international visitors while increasing the likelihood of Australians travelling abroad. Nonetheless, assuming growth is in line with past trends and that there are no further external shocks, the number of visitors could reach 2.7 million in ten years, more than 1 million higher than current levels.

Tourism output is not uniquely defined by the type of goods and services produced, but by the consumers of those products, including holiday, business and government-related visitors. As such, tourism is not separately identified as an industry in the State Accounts. Tourism expenditure is spread over a number of production classified industries including accommodation, cafes and restaurants; cultural and recreational services; and retail trade and transport. Tourism also generates activity in the construction industry for the building of hotels and other tourism-related infrastructure.

Using 'Accommodation, Cafes and Restaurants' and 'Cultural and Recreational Services' as a proxy for output, the tourism sector accounted for approximately 4.8 per cent of Territory Gross State Product in 2002-03, compared to 3.7 per cent nationally, and was the highest of any jurisdiction. On the same basis, tourism accounted for an estimated 8.0 per cent of Territory employment in 2002-03, compared to 7.4 per cent at the national level.

Tourism growth over any period reflects the prevailing economic conditions both domestically and internationally. Factors such as exchange rates and disposable household income growth are key drivers. Tourism expenditure is largely a discretionary component of consumer expenditure and is essentially a 'luxury' product. As such, income growth and consumer confidence can have a pronounced effect on tourism activity. International tourism is particularly sensitive to geopolitical conditions and health and safety concerns, while the availability and cost of airfares and fuel prices also have an impact on Territory tourist activity. Additionally, visitor numbers are influenced by defence activities, large one-off events such as the Sydney Olympics, and regular events such as the Darwin Cup and Masters Games.

Spread of Tourism Expenditure

Drivers of Growth

Table 9.1: Visitor Numbers to the Northern Territory

Year ended June	Intra-Territory		Interstate		International		Total	
	(000)	% Ch	(000)	% Ch	(000)	% Ch	(000)	% Ch
1985	390	4.1	390	29.6	60	1.9	840	14.5
1986	310	-22.1	470	19.6	100	86.8	880	4.7
1987	360	18.9	480	1.6	120	17.2	970	9.4
1988	440	21.5	560	16.7	180	44.0	1 180	22.0
1989	430	-2.3	510	-8.8	190	6.6	1 130	-4.1
1990	430	0.8	530	3.0	160	-15.7	1 120	-1.0
1991	430	-0.4	550	4.3	170	9.3	1 150	3.2
1992	400	-6.3	440	-19.9	210	18.9	1 050	-9.0
1993	470	16.7	530	20.2	240	14.4	1 240	17.7
1994	560	19.4	490	-6.3	270	13.5	1 330	7.3
1995	630	11.7	610	23.1	270	1.6	1 510	13.9
1996	570	-9.6	740	21.7	360	33.0	1 670	10.7
1997	560	-1.8	720	-2.7	400	9.7	1 680	0.3
1998	530	-4.8	670	-7.5	420	5.3	1 620	-3.6
1999	480	-10.1	790	18.1	460	9.8	1 730	6.6
2000	550	14.0	760	-4.2	560	21.6	1 860	7.8
2001	530	-2.9	720	-5.3	560	0.7	1 810	-2.9
2002	530	0.0	670	-6.0	520	-7.3	1 720	-4.6
2003	510	-3.2	710	6.0	470	-9.0	1 700	-1.4
2004e	520	1.0	740	4.2	500	4.4	1 760	3.3
2005f	520	0.6	780	4.7	610	23.4	1 910	8.8
Compound Annual Growth %								
1984-85 to 2003-04e	1.4		3.3		11.1		3.8	
1984-85 to 1988-89	2.0		5.5		25.7		6.1	
1989-90 to 1993-94	5.6		-0.6		7.3		3.3	
1994-95 to 1998-99	-3.2		9.7		11.4		5.4	
1999-00 to 2003-04e	1.6		-1.2		1.5		0.3	
1994-95 to 2003-04e	-0.9		4.1		6.3		2.8	

e: estimate; f: forecast

Source: NT Treasury, NTTTC

In 2002-03, total visitor numbers to the Territory were down, although total visitor nights and visitor expenditure were up slightly on the previous year. Total visitor numbers fell by 1.4 per cent, as international and intra-Territory visitor numbers fell by 9.0 per cent and 3.2 per cent respectively, while interstate visitor numbers increased by 6.0 per cent. Total spending by interstate visitors increased by 10 per cent, while total spending by international visitors was up by 1.0 per cent and total intra-Territory visitor spending decreased by 4.5 per cent in 2002-03.

Table 9.2: Tourism as a Percentage of GSP (2002-03)

	Accommodation, Cafes and Restaurants	Cultural and Recreational Services	Total
New South Wales	2.1	1.8	3.9
Victoria	1.5	1.7	3.2
Queensland	2.6	1.3	3.9
South Australia	1.9	1.5	3.4
Western Australia	1.5	1.3	2.8
Tasmania	2.5	1.4	3.9
Northern Territory	2.5	2.3	4.8
Australian Capital Territory	2.1	2.5	4.6
Australia	2.0	1.7	3.7

Source: NT Treasury, ABS Cat. No. 5220.0

Following exceptional growth from 1999 to 2001 (largely related to the Sydney Olympics, the United Nations relief effort in East Timor and a peak in the global economic cycle), the tourism sector, both nationally and in the Territory, has experienced a number of considerable setbacks in recent years. The onset of the global economic slowdown, the September 11 terrorist attacks, the collapse of Ansett, the Bali bombing, the Iraq war and the SARS outbreak have all contributed to dampen tourism activity, particularly inbound tourism.

Domestic

Amidst these shocks, the main drivers of domestic tourism demand turned positive in this period after a downturn in 2000-01. Nationally, 2001-02 and 2002-03 were characterised by solid employment growth, low interest rates and inflation, while buoyant consumer sentiment encouraged borrowing and consumption. Nonetheless, interstate tourism to the Territory was largely unresponsive to these positive drivers in 2001-02. In 2002-03, interstate visitor numbers recovered somewhat, as Australians reduced outbound international travel in favour of holidaying in the relatively safe domestic environment. However, overall interstate visitor numbers were well below the peak levels of 1999 and 2000.

International

International tourism demand remained weak through the first half of 2003 as the Iraq war, the SARS outbreak and continued weakness in the global economy affected consumer confidence. However, international visitor numbers to Australia are showing tentative signs of recovering. Increasing visitor numbers are being supported by the strengthening global economic outlook, being led by the US, with the Japanese and European zone economies benefiting from the consequent increased export demand. These regions are all major source markets for international visitors to Australia, and particularly to the Territory.

The outlook for Territory tourism is positive in the medium to long term, as conditions for the key international tourism category continue to improve. The anticipated recovery in international travel, combined with increased airline seating capacity and the recent introduction of the Ghan passenger train service to Darwin, should act to boost prospects for the local tourism industry.

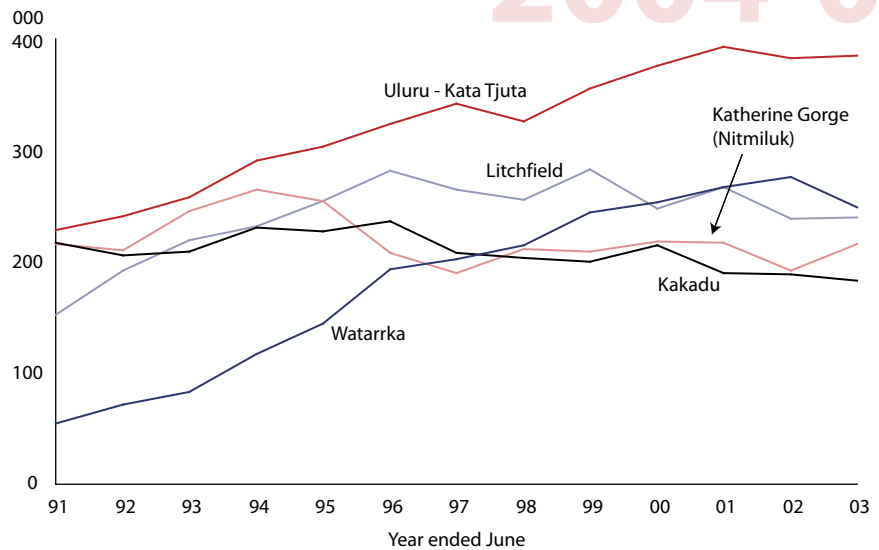
Destinations

Attractions

The Territory's unique flora, fauna and geographical features are key attractions for visitors, with Aboriginal art and culture another major drawcard for the Territory's national parks. Over the decade to 2002-03, Uluru-Kata Tjuta National Park (Ayers Rock and the Olgas) continued to increase in popularity, with visitor numbers growing at an average rate of around 4.0 per cent per annum. The park attracted 388 000 visitors in 2002-03. Visitors to Katherine Gorge in Nitmiluk National Park increased by 10 000 to 251 000 in 2002-03.

Visitor numbers to Litchfield National Park remained steady (at 242 000 people) after decreasing in the previous year. Visitor numbers to Watarrka National Park (Kings Canyon) fell by 27 000 to 251 000, however in the decade to 2002-03, visitor numbers to this park increased at an annual average rate of more than 11 per cent, reflecting an improvement in the park's facilities and road access. Visitor numbers to Kakadu National Park continue their steady decline from the peak in 1995-96 (239 000), falling at an average annual rate of 3.7 per cent in the nine years since. With 184 000 visitors in 2002-03, Kakadu was by far the least visited of the Territory's major national parks, attracting less than half the numbers visiting Uluru-Kata Tjuta.

Chart 9.2: Visitors to Major Parks



Source: NT Treasury, ABS Cat.No. 3401.0

Visitor Numbers

Following strong growth in the mid to late 1990s, visitor numbers to the Territory peaked in 1999-00 at 1.86 million. Since then, annual visitor numbers have fallen, and were estimated at 1.7 million in 2002-03.

Aside from recent weakness, visitor numbers to and within the Territory have displayed a general upward trend over the past 20 years, growing at an annual average rate of 4.4 per cent. International visitors have been the major growth category during this period, increasing at an annual average rate of more than 11 per cent, despite declining by 7.3 per cent in 2001-02 and a further 9.0 per cent in 2002-03. In 1981-82, international visitors represented 6.9 per cent of total visitors to the Territory, although this proportion has increased to around 30 per cent in recent years. Comparatively weaker growth in interstate and intra-Territory visitor numbers has resulted in domestic visitors steadily falling as a proportion of total visitors over the past 20 years.

A sharp slowdown in the high growth international visitor sector since 2000-01 has been the major influence on Territory tourism in recent years, but has been exacerbated by weak to negative growth in interstate and intra-Territory visitors over the same period. At the national level, international short-term visitor arrivals have also been weak to negative since late 2001.

The Territory typically attracts around 10 per cent of the short-term international arrivals to Australia, and weaker growth in this category since 2001 has affected the number of international visitors to the Territory. Short-term arrivals to Australia have continued to show negative growth in year average terms in early 2004, however, they are beginning to show signs of recovery and growth is expected to strengthen through 2004-05.

Chart 9.3: Overseas Short-Term Arrivals, Australia



Source: NT Treasury, ABS Cat.No. 3401.0

Major Tourist Regions

The Territory's major tourist regions are the Top End, which includes Darwin, Kakadu, Arnhem and Daly, and the Centre, which includes Alice Springs, MacDonnell, Tanami and Petermann (Uluru). It is estimated that approximately 90 per cent of tourists to the Territory visit either the Top End, the Centre or both. Visitor numbers to the Centre region showed strong growth during the 1990s, however, after peaking at 809 000 in 1999-00, numbers have declined for the past three years to an estimated 736 000 in 2002-03. The recent downturn has had a more pronounced effect on visitor numbers to the Top End region. After peaking at 933 000 in 1999-00, visitor numbers to the Top End are estimated to have declined in each of the past three years to 762 000 in 2002-03. By contrast, Katherine region has had volatile annual visitor numbers between 1997-98 and 2002-03, but has grown at an average rate of around 7.0 per cent per annum over this period (from 234 000 to 299 000).

Visitor Nights

The NTTC's Commercial Accommodation Survey (CAS) estimates that total visitor nights in commercial accommodation increased by 4.5 per cent in 2002-03 (to 4.5 million) after decreasing by 3.6 per cent in 2001-02. As total visitor numbers to the Territory were down in 2002-03, the CAS suggests that the average length of stay of visitors in this segment increased in this period.

Visitor data for all sectors (including visitors who stay with friends and family) show that during 2002-03, visitor nights increased by 1.6 per cent, with the average length of stay increasing marginally to 5.6 nights, closer to the eight year average of 5.7 nights. Interstate visitor nights increased by 6.4 per cent and intra-Territory visitor nights by 8.2 per cent, while the average length of stay in these visitor segments increased to 8.0 nights (from 7.9) and 3.7 nights (from 3.3) respectively. However, total international visitor nights fell by 14.0 per cent in 2002-03, with a decline in the average length of stay from 4.5 to 4.3 nights.

Table 9.3: Visitor Nights in the Northern Territory

	Intra-Territory		Interstate		International		Total	
	(000)	% Ch	(000)	% Ch	(000)	% Ch	(000)	% Ch
1996-97	1 823	-4.5	5 442	-8.4	1 841	-5.3	9 106	-7.0
1997-98	1 764	-3.2	5 925	8.9	2 227	21.0	9 916	8.9
1998-99	1 563	-11.4	6 238	5.3	1 871	-16.0	9 672	-2.5
1999-00	1 581	1.2	6 473	3.8	2 487	32.9	10 541	9.0
2000-01	1 833	15.9	5 381	-16.9	2 640	6.2	9 854	-6.5
2001-02	1 764	-3.8	5 315	-1.2	2 357	-10.7	9 436	-4.2
2002-03	1 909	8.2	5 656	6.4	2 026	-14.0	9 591	1.6
Six year annual average		1.3		-0.8		-1.6		-0.6

Source: NT Treasury, NTTC

Of the four tourist regions (Top End, Centre, Katherine and Tennant Creek), visitors to the Top End region generally stay the longest. In 2002-03, visitors to the Top End region stayed an average 7.0 nights, up from 6.6 nights in 2001-02. Katherine region recorded the largest increase in the average length of stay per visitor, rising from 3.3 to 3.9 nights, while the Tennant Creek and Centre regions experienced marginal increases.

Expenditure

Despite falling visitor numbers and weak growth in visitor nights in the three years to 2002-03, visitor expenditure (in nominal terms) has continued to increase in recent years, indicating increased spending per visitor. The NTTC estimates that total expenditure increased by 5.2 per cent to \$1.1 billion in 2002-03. Tourist expenditure is primarily on accommodation, tours, transport and food. As with visitor numbers, growth in international visitor expenditure has driven growth in overall expenditure in the past decade.

The NTTC estimates international visitors accounted for 33 per cent of total visitor expenditure in 2002-03, spending an average of \$174 each per day, up from \$148 per day in 2001-02. This is markedly higher than interstate and intra-Territory visitors who are estimated to have spent \$107 and \$63 per day respectively. Visitors from Japan had the highest daily expenditure in 2002-03 at \$306, followed by visitors from North America at \$263 per day. In the six years from 1996-1997, nominal international visitor expenditure has increased at an average annual rate of 5.1 per cent, greater than the growth rate of total visitor expenditure of 4.1 per cent per annum over the same period.

Table 9.4: Visitor Expenditure in the Northern Territory

	Intra-Territory		Interstate		International		Total	
	(\$M)	% Ch	(\$M)	% Ch	(\$M)	% Ch	(\$M)	% Ch
1996-97	111.0	14.4	493.0	-3.8	240.0	13.3	845.0	2.7
1997-98	91.2	-17.8	495.2	0.4	262.0	9.2	848.4	0.4
1998-99	100.7	10.4	527.3	6.5	270.6	3.3	898.6	5.9
1999-00	110.3	9.5	568.1	7.7	322.7	19.3	1 001.1	11.4
2000-01	119.7	8.5	524.6	-7.7	376.5	16.7	1 020.9	2.0
2001-02	125.7	5.0	552.1	5.2	348.8	-7.4	1 026.5	0.5
2002-03	120.0	-4.5	607.1	10.0	352.4	1.0	1 079.6	5.2
Six year annual average		4.7		3.5		5.1		4.1

Source: NT Treasury, NTTC

Visitor Composition

Since the early 1990s, the proportion of international visitors to the Territory has increased significantly, up from around 20 per cent in 1991-92 to around 30 per cent in the period from 2000. During the strong growth period in the decade to June 2000, the international visitor segment was the main contributor to overall growth in visitor numbers, and the fallback in this market in recent years has had a significant impact on overall growth. In 2002-03, the proportion of international visitors to the Territory fell to around 28 per cent, while interstate visitors remained the largest visitor category at 42 per cent, followed by intrastate visitors at 30 per cent.

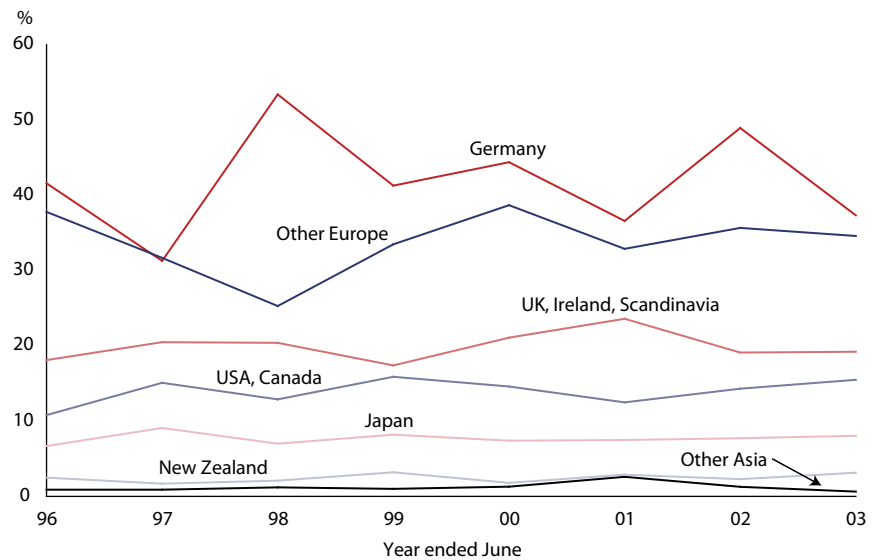
Due to the remoteness and nature of the Territory's attractions, a significant proportion of visitors to the Territory tend to be 'long-stay' visitors such as backpackers (primarily from the international market) and 'self-drivers'. Combined, backpackers and self-drivers account for more than 20 per cent of total visitors to the Territory. In addition to these market segments, defence force and cruise ship visits contribute significantly to Territory tourism.

It is estimated that 10.2 per cent of international arrivals to Australia visited the Territory in 2002-03, down from an estimated 10.9 per cent in 2001-02. The ABS reports that international arrivals to Australia continued to decline in 2002-03, down by 2.4 per cent. This follows a decline of 5.2 per cent in 2001-02 and reflects the broad downturn in international travel related to a weak world economy combined with health and safety concerns.

International visitors to the Territory also declined in the two years to 2002-03, although to a greater extent than nationally. NTTC estimates that international visitor numbers to the Territory decreased by 9.0 per cent in 2002-03, while the ABS reports short term international arrivals to Australia were down by only 2.4 per cent in the same period.

Tourism

Chart 9.4: Northern Territory Share of International Arrivals to Australia



Source: NT Treasury, NTTC, ABS Cat. No. 3401.0

International Proportions

Of the estimated 474 000 international visitors to the Territory in 2002-03, around 61 per cent were from Europe, with 31 per cent from the United Kingdom / Ireland / Scandinavia, 11 per cent from Germany and 19 per cent from other parts of Europe. North America and Japan were other significant source markets, representing 17 per cent and 11 per cent of international visitors respectively. A high proportion of Germans and 'Other Europeans' visiting Australia continue to be attracted to the Territory, and in 2002-03 more than a third of these visitors to Australia visited the Territory. By contrast, of the visitors to Australia from Asia (excluding Japan) and New Zealand, only a small share visited the Territory, consistent with historical patterns (see Chart 9.4).

In 2002-03, interstate visitor numbers increased by 6.0 per cent to 712 000. Visitors from Victoria and Tasmania combined formed the largest proportion of interstate visitors at 32.5 per cent. Intra-Territory visitation numbers fell by 3.2 per cent to 513 000 in 2002-03 and are expected to increase by 1.0 per cent in 2003-04. Close to two-thirds of international and interstate visitors to the Territory arrive by air.

Backpackers

The NTTC's Commercial Accommodation Survey reports on visitors to the Territory staying in commercial outlets, including backpacker and visitor hostels. Data on hostel activity serves as an indicator of activity in the backpacker sector, since they are the primary users of this type of accommodation. In 2002-03, 92 000 visitors stayed in backpacker or visitor hostel accommodation, a marginal increase on the previous year. These visitors accounted for a total of 505 000 nights in 2002-03, down from 514 000 in 2001-02, and staying an average of 5.5 nights, also slightly lower than the previous year. Expenditure per visitor in this segment of the market fell from an average \$851 per visitor in 2001-02 to \$795 in 2002-03.

Of all backpackers travelling in the Territory in 2002-03, 79 per cent were international visitors. The United Kingdom / Ireland / Scandinavia region represented the largest proportion (at 46 per cent), with other European countries also key source markets for backpackers. Domestic backpackers made up 21 per cent of the market, unchanged from the previous year.

Self Drive Market

Despite higher fuel prices, self-drive visitor numbers to the Territory increased by 10.6 per cent in 2002-03, following declines in the previous two years. The increase was across both the interstate and international visitor segments and raised the proportion of self-drive visitors to 26 per cent of all interstate and international visitors in 2002-03 (24 per cent in 2001-02).

Excluding intra-Territory tourists, the NTTC reports that in 2002-03 Victoria and Tasmania combined represented 23 per cent of the self-drive market, while 20 per cent were from South Australia. The number of self-drive visitors from Victoria and Tasmania combined has increased by close to 20 per cent in each of the past two years, while the number from New South Wales and the Australian Capital Territory combined has declined over the same period. About 61 000 self-drivers were international visitors, representing around 20 per cent of the self-drive market.

Cruise and defence force ships visiting Darwin make a significant contribution to Territory tourism. Typically, visits are scheduled between November to April, with the average cruise ship passenger spending around \$180 per day and crew spending around \$150 per person per day while on land in the Territory. Spending by Navy personnel is estimated to be around \$150 per person per day.

Like other segments of the tourism industry, the cruise ship market has been affected by weak global economic growth and increased travel risks in recent years. After peaking at 22 in 1999, cruise ship visits to Darwin declined in the following three years, and were 14 in 2003. This is estimated to increase to 17 in 2004, with an estimated 18 days in port. Total passengers are estimated at around 12 500 with total crew of around 8 000. In addition, the *Coral Princess* is expected to dock eight times. Coral Princess Cruises operate regular expedition cruises from Broome to Darwin during April to October. The *Coral Princess* is a small vessel that can take up to 45 passengers. In 2003, 53 Navy ships visited Darwin for a total of 253 visit days, down from 80 ships and 330 visit days in 2002.

A significant upgrade of the cruise ship facility at Fort Hill Wharf in Darwin is scheduled for 2004-05, increasing the city's ability to attract and accommodate cruise ships.

Tourism Capacity

Northern Territory occupancy rates deteriorated in 2002-03, reflecting weaker demand given that capacity has not changed significantly. This is the third consecutive year that occupancy rates have declined.

Tourism-related investment, as for much non-residential building activity, tends to be 'lumpy', especially in smaller jurisdictions like the Territory. With relatively subdued tourism activity in recent years, development has been sluggish, with a number of projects delayed due to weak demand.

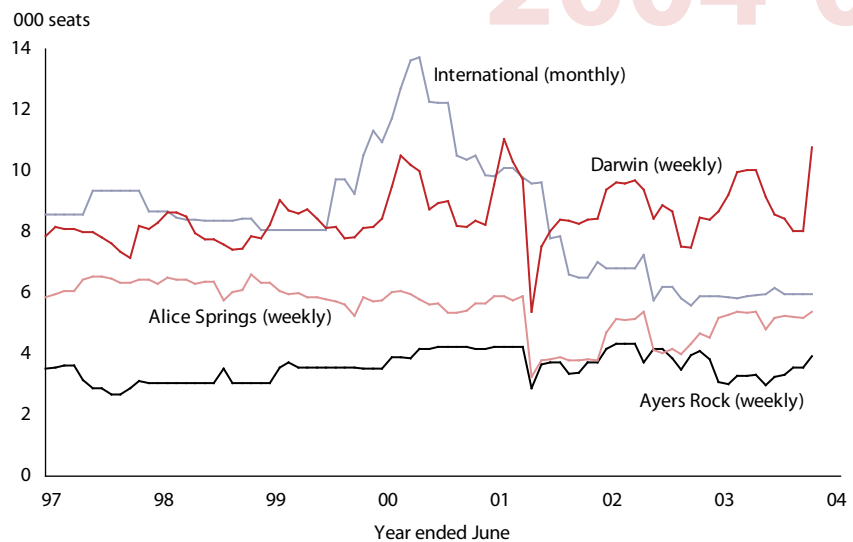
The Melaleuca backpacker hostel in Darwin, due to be completed in mid 2004, is the first stage of a larger development proposed to include retail and recreational facilities. The Quest complex in the Darwin CBD includes around 60 serviced apartments and construction has almost been completed. Other proposals include a \$9 million hotel forming part of a proposed development of the Darwin International Airport site and \$3 million motel development in Jingili. Further out, the Darwin City Waterfront development is expected to commence construction in 2005 and includes a convention and exhibition centre and recreation and accommodation facilities.

Air Access

Close to two-thirds of interstate and international visitors enter the Territory by air. As such, air access remains a key factor for the Territory tourism industry and the importance of competitive, reliable and accessible services cannot be overstated.

Tourism Projects

Chart 9.5: Airline Seating Capacity into the Territory



Source: Department of Infrastructure, Planning and Environment

Domestic Capacity

The collapse of Ansett in 2001 and subsequent reduction in overall airline capacity coincided with decreased global demand for tourism. Prior to September 2001, Ansett had 42 per cent of scheduled domestic capacity into the Territory and as such, its collapse had a significant short-term impact on domestic visitor numbers to the Territory as supply was constrained. In aggregate, domestic capacity into the Territory has largely been restored with the entry of Virgin Blue and increased Qantas flights. However, with no increase in capacity since 2001, growth in visitor numbers to the Territory has been constrained.

Passenger arrival and departure data for Darwin and Alice Springs airports reflect the impact of seating capacity constraints of recent years. Domestic passenger numbers through Darwin airport have largely recovered to around the levels in the period immediately preceding the collapse of Ansett. Alice Springs airport passenger numbers continue to be affected by capacity constraints, and while improving through 2003, arrivals are still below pre-Ansett collapse levels by around 20 per cent.

Virgin Blue plans to further expand the number of flights into the Territory in 2004, and direct flights between Darwin and Melbourne commenced in April, adding around 430 seats per week to capacity. Additionally, Western Australia's major regional airline Skywest began a new service to Darwin from Perth via Broome in April, with plans to expand this service in May, adding a total of almost 300 seats per week to capacity. In line with seasonal demand, Qantas added additional services between Darwin and Brisbane, and Darwin and Melbourne, in April, while additional services between Darwin and Sydney for May have also been announced, adding 670 seats per week to capacity. Jetstar (Qantas' new low cost domestic airline) also plans to begin flights into the Territory, including Darwin, Alice Springs and Ayers Rock after November 2004. However, it is unclear to what extent these new services will increase domestic seating capacity, as some displacement of existing Qantas services is anticipated.

International seating capacity levels will be a fundamental component influencing the strength of the recovery in international visitor numbers to the Territory. International seating capacity into Darwin declined markedly after the peak in 2000 but is starting to show signs of improving. A new twice-weekly service by Australian Airlines between Singapore and Darwin commenced in 2004, providing an extra 540 seats into Darwin each week and increasing the number of flights between Singapore and Darwin to five per week. Merpati Airlines will resume flying the Kupang-Darwin route twice weekly in co-operation with Airnorth in mid 2004. Further negotiations are underway between local operators and airline and tourism interests in Malaysia and China, and Cathay Pacific Airlines is undertaking a feasibility study for a Darwin-Hong Kong service.

An emerging feature of the international carrier market is the currently small but significant charter flight segment. SilkAir, a subsidiary of Singapore Airlines, provided charter services for international passengers to Darwin in early 2004 to connect with the cruise ship *Europa*. In 2003 charter flights also transferred some 800 Japanese visitors to Central Australia.

Railway Potential

The Adelaide to Darwin railway has the potential to create significant tourism-related opportunities in the Territory. The Ghan passenger train is expected to transport 30 000 tourists to the Top End each year, of whom the NTTC estimates 16 000 would not have otherwise visited the Territory. This is particularly significant in light of the airline seating capacity constraints which in the recent past have constrained Territory tourism growth.

Tourism Outlook

Total visitor numbers are estimated to increase by around 3 per cent (to 1.75 million) in 2003-04 and by 9 per cent (to 1.91 million) in 2004-05.

International visitor numbers to the Territory are expected to continue to recover in 2004-05, while domestic visitor numbers are expected to stabilise at close to long-term average growth rates.

Critical to the strength of the rebound in visitor numbers will be growth in international visitors. Growth in this segment is estimated at 4.4 per cent in 2003-04, followed by 23 per cent in 2004-05. The positive short-term outlook is based on improving global economic conditions, particularly in the Territory's major source market regions, and an easing of the health and safety concerns.

A sharper rebound in international visitor numbers to the Territory than nationally is anticipated. The Territory experienced a significantly larger decline in international tourism than nationally during the recent downturn, and as such there is a greater scope for recovery.

Following weak to negative growth in recent years, growth in intra-Territory visitor numbers is expected to improve only marginally, with numbers forecast to increase by 1.0 per cent in both 2003-04 and 2004-05. Interstate visitor numbers, which recovered in 2002-03 after three years of negative growth, are expected to increase by 4.2 per cent and 4.7 per cent in 2003-04 and 2004-05 respectively.

Expectation of an increase in transport services, including both airline and rail capacity, is factored into the strong growth forecast, as are the increased demand effects anticipated from the extra \$27.5 million in funding for the NTTC, which is heavily skewed towards attracting international and interstate visitors. This includes the expenditure of an extra \$10 million in 2004-05 and 2005-06 on international and domestic marketing activities and tourism development.

The sealing of the Mereenie and Litchfield loop roads over the next few years should also significantly boost tourism activity in these regions. In addition, the Darwin City Waterfront development is expected to commence construction in 2005, and includes a convention and exhibition centre, and recreation and accommodation facilities.

However, there are risks to the forecasts and the anticipated rebound in international activity. The appreciation of the Australian dollar could act to constrain the extent of the anticipated upswing in international visitor numbers. Further, the stronger Australian dollar increases the likelihood of Australians travelling abroad rather than holidaying domestically.

A further and unquantifiable risk relates to the possibility of terrorist attacks and regional health fears such as SARS which can have a sudden and significant impact on international travel intentions.

Nonetheless, as the global economic recovery gains momentum, notably in the Territory's key source markets, and the drivers of demand for tourism services continue to improve, growth in visitor numbers to the Territory can be expected to strengthen. Assuming growth is in line with normal past trends and that there are no further external shocks, the total number of visitors could reach 2.7 million in ten years, around 1 million higher than current levels.